Unit economics (1)

FINANCIAL MODELING

LECTURE SUMMARY

Covered in this lecture:

How to calculate the cost per cup

- The core metric of unit economics is the average cost of every cup of lemonade you serve - how much it cost to make it

- You will need to do some research to find out a few basic things:
  - how many lemons does it take to make one cup of lemonade?
  - how much juice you can get out of a lemon?
  - how much ice do you put in a cup?
  - what's the ratio for water, sugar, and lemons for one cup in order to get the best taste?

- Our assumptions are that the ratio is 1:1:1, a cup is 16oz, from which 4oz is ice, which means that we will need 4oz of water, 4oz of sugar, and 4oz of lemon juice

- Find out how much every ingredient costs if you buy it in bulk, then calculate the cost for 4oz
- We assume that the juice of 2 lemons is enough for one cup of lemonade
- Calculate the cost of the napkins, cups, and straws
- You can finally add everything up and see how much it costs to make a cup of lemonade (in our example, $0.81)

	Size	Cost	Cost/unit or cost/oz	Cost/cup
Ice	10lb	$ 4.00	$ 0.0250	$ 0.1000
Water	5gal	$ 0.25	$ 0.0004	$ 0.0016
Sugar	5lb	$ 2.50	$ 0.0313	$ 0.1250
Lemon Juice	1	$ 0.15	$ 0.0857	$ 0.3429
Lemon Garnish	1	$ 0.15	$ 0.0188	$ 0.0188
Cups	500	$ 79.00	$ 0.1580	$ 0.1580
Napkins	500	$ 25.00	$ 0.0500	$ 0.0500
Straws	500	$ 7.00	$ 0.0140	$ 0.0140
			Subtotal	**$ 0.81**

See you next lecture!